

# VENEZUELA

## Economic Freedom Score



World Rank: **175**

Regional Rank: **28**

**V**enezuela's economic freedom score is 36.3, making its economy the 175th freest in the 2014 *Index*. Its score is essentially unchanged from last year, with gains in trade freedom, monetary freedom, and the control of government spending offset by declines in freedom from corruption, business freedom, labor freedom, and fiscal freedom. Venezuela is ranked 28th out of 29 countries in the South and Central America/Caribbean region, and its overall score is far below the world and regional averages.

Over the 20-year history of the *Index*, Venezuela's economic freedom has deteriorated by 23.5 points, the worst decline of any country. Significant losses have occurred in eight of the 10 measured categories, including property rights and the area of market openness, scores for which have plummeted 45 points or more. Regulatory efficiency, measured through business freedom and monetary stability, has diminished greatly as state interference in the economy has grown.

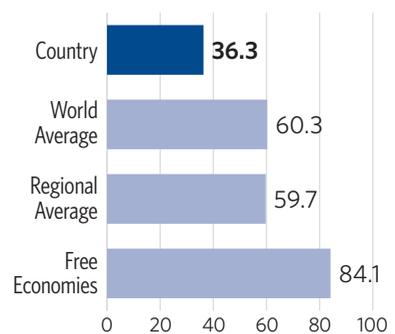
With an economy rated as "repressed" since 2004, Venezuelans have endured economic stagnation and deteriorating living conditions. Oil prices have driven recent strong economic growth, but economic development remains severely constrained by institutional shortcomings. The rule of law, undermined by a weak judiciary subject to political interference, is fragile across the country.

**BACKGROUND:** The death of Hugo Chávez in early 2013 led to elections won by Chávez's hand-picked successor and former foreign minister Nicolas Maduro. Opposition leader and state governor Henrique Capriles condemned the flawed election, but to no avail. After more than 14 years of "21st-century socialism," economic and political freedom is nonexistent. Food is scarce, inflation is soaring, corruption is rampant, and the capital, Caracas, is one of the world's most dangerous cities. Maduro mimics Chávez's style but without his charisma. He has strengthened ties with China, Cuba, Russia, and Iran and persecutes political adversaries and critics. Restrictions on media freedom undermine the opposition.

## Freedom Trend



## Country Comparisons



## Quick Facts

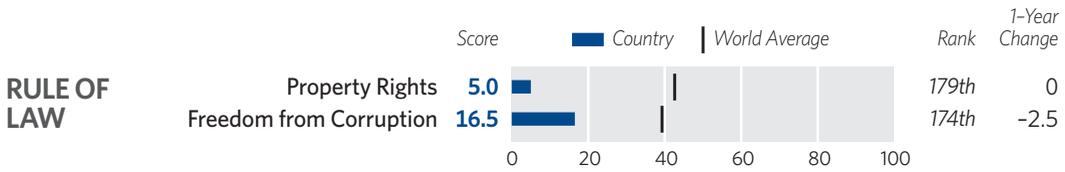
**Population:** 29.5 million  
**GDP (PPP):** \$401.9 billion  
 5.5% growth in 2012  
 5-year compound annual growth 2.0%  
 \$13,616 per capita  
**Unemployment:** 7.8%  
**Inflation (CPI):** 21.1%  
**FDI Inflow:** \$3.2 billion  
**Public Debt:** 57.3% of GDP

### How Do We Measure Economic Freedom?

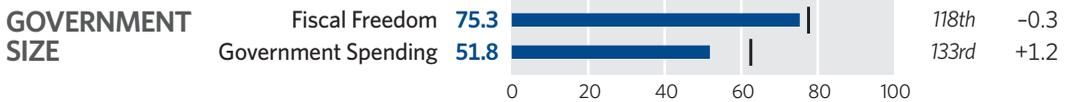
See page 471 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2012 data unless otherwise noted.  
 Data compiled as of September 2013.

**THE TEN ECONOMIC FREEDOMS**



If there were ever a country where the actors in a national political system could be said to have “perfected” the art of 21st century corruption, it would be Venezuela, where government leaders act with complete impunity. The entire formal economy now operates as a black market, and outside experts estimate that annual inflation far exceeds official estimates. The judiciary is dysfunctional and completely controlled by the executive.



The top individual income and corporate tax rates are 34 percent. Other taxes include a value-added tax (VAT). The overall tax burden amounts to 12.5 percent of the domestic economy. Government spending has reached 40 percent of gross domestic output. Public debt levels continue to rise, reaching close to 60 percent of GDP.



No minimum capital is required to establish a business, but the process takes 17 procedures and over 100 days. Completing licensing requirements costs about the level of average annual income and takes more than 10 months. The labor market remains state-controlled. The government’s highly expansive fiscal and monetary policy, coupled with exchange and price controls, has led to a sharply overvalued official exchange rate.



Venezuela’s average tariff rate is 8.6 percent. Non-tariff barriers restrict imports of cars and agricultural products. It may take several weeks to import goods. Restrictive currency controls, expropriation of private property, and other government measures discourage foreign investment. The financial sector, dominated by banks, remains controlled by the state through directed credits and threats of confiscation. Long-term finance is scarce.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-45.0	Fiscal Freedom	-4.7	Business Freedom	-41.6	Trade Freedom	-2.3
Freedom from Corruption	+6.5	Government Spending	-24.3	Labor Freedom	+1.4	Investment Freedom	-45.0
				Monetary Freedom	-2.3	Financial Freedom	-50.0